

CARTHAGE SCHOOL DISTRICT NO. 48-2

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE TWO YEARS ENDED

JUNE 30, 2005

CARTHAGE SCHOOL DISTRICT NO. 48-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2005

Board Members:

Paul Madison - President
Gena Rusher - Vice President
Dawn Hamilton
Melanie Hamilton
Bob Turner

Superintendent:

Lori Wehlander

Business Manager:

Erin Feldhaus

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

School Board
Carthage School District No. 48-2
Miner County, South Dakota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carthage School District No. 48-2, Miner County, South Dakota, as of and for the two years ended June 30, 2005, which collectively comprise Carthage School District's basic financial statements and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carthage School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carthage School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of federal awarding agencies and pass through entities, the South Dakota Legislature, state and federal granting agencies, and the governing board and management of the Carthage School District No. 48-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Harington & Associates, LTD.

Huron, South Dakota
November 10, 2008

CARTHAGE SCHOOL DISTRICT NO. 48-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE TWO YEARS ENDED JUNE 30, 2005

PRIOR OTHER AUDIT FINDINGS:

There are no prior written other audit comments.

CARTHAGE SCHOOL DISTRICT NO. 48-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE TWO YEARS ENDED JUNE 30, 2005

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.

CLOSING CONFERENCE

The closing conference was held on November 10, 2008 with JoAnne Windedahl, Business Manager and Lori Wehlander, Superintendent.

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INDEPENDENT AUDITOR'S REPORT

School Board
Carthage School District No. 48-2
Miner County, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carthage School District No. 48-2, Miner County, South Dakota, as of and for the two years ended June 30, 2005, which collectively comprise Carthage School District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Carthage School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund and the aggregate remaining fund information of Carthage School District No. 48-2 as of and for the two years ending June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 10, 2008 on our consideration of Carthage School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

This report is an integral part of an audit performed in accordance with Government Auditing Standards and, should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 15 and 43 through 53, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Harrington & Associates, LTD.

Huron, South Dakota

November 10, 2008

CARTHAGE SCHOOL DISTRICT NO. 48-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Carthage School District 48-2 annual financial report presents our discussion and analysis of the School's financial performance during the two fiscal years ended on June 30, 2005. Please read it in conjunction with the School's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental programs were \$22,882 less than the \$235,716 governmental program expenditures in FY05.
- During the year, the School's revenues generated from taxes and other revenues of the governmental programs were \$7,789 more than the \$227,577 governmental program expenditures in FY04.
- The total cost of the School's programs in FY05 increased by approximately 4%. This was primarily due to insurance costs, payroll increases, and minor increases in all other areas.
- The general fund reported a \$23,676 current year decrease in FY05 primarily due to the normal pay increase to teaching staff.
- The special education fund reported a \$27,638 current year increase in FY05 primarily due to receiving approximately \$40,000 in tax revenues but only spending approximately \$13,000 in special education expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending. The school does not have any proprietary funds or fiduciary funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CARTHAGE SCHOOL DISTRICT NO. 48-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Carthage School's Government-wide and Fund Financial Statements

Fund Statements

	Government-wide Statements	Governmental Funds
Scope	Entire School government	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.
Required Financial Statements	*Statement of Net Assets Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

CARTHAGE SCHOOL DISTRICT NO. 48-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported as such:

- Governmental Activities - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), and capital equipment purchases. Property taxes and interest earnings finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The School has one kind of fund:

- Governmental Funds – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**CARTHAGE SCHOOL DISTRICT NO. 48-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets decreased as follows:

**Table A-1
Carthage School District 48-2
Statement of Net Assets**

	Governmental Activities	
	2004	2005
Current and Other Assets	\$ 364,500	\$ 344,528
Capital Assets	25,262	26,432
Total Assets	<u>\$ 389,762</u>	<u>\$ 370,960</u>
Long Term Debt Outstanding	\$ —	\$ 3,688
Other Liabilities	10,137	10,529
Total Liabilities	<u>10,137</u>	<u>14,217</u>
Net Assets:		
Invested in Capital Assets	25,262	22,744
Restricted	132,977	146,238
Unrestricted	221,386	187,761
Total Net Assets	<u>\$ 379,625</u>	<u>\$ 356,743</u>
Beginning Net Assets	<u>\$ 371,836</u>	<u>\$ 379,625</u>
Increase (Decrease) in Net Assets	<u>\$ 7,789</u>	<u>\$ (22,882)</u>
Percentage of Increase (Decrease) in Net Assets	<u>2.1%</u>	<u>(6.0%)</u>

The district did have a decrease in net assets between the two years. The district's combined net assets of approximately \$360,000 is 6.0% smaller than on June 30, 2004. Most of the decrease in the district's financial position came from its General and Capital Outlay funds.

**CARTHAGE SCHOOL DISTRICT NO. 48-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of capital/lease purchase payable, have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

Changes in Net Assets

The district's total revenues (excluding transfers) totaled \$235,366 in FY04 and \$212,834 in FY05 (See Table A-4.) This was a 9.6% decrease between the two years. Approximately 94% of the district's revenue comes from property and other taxes in FY05. (See Table A-2)

Table A-2
Carthage School District 48-2
Sources of Revenues
Fiscal Years 2004 and 2005

	2004		2005	
Taxes	\$ 226,322	96.16%	\$ 200,605	94.26%
State Sources	2,737	1.16%	2,056	.97%
Operating Grants & Contributions	--	--	1,707	.80%
Charges for Services	--	--	1,659	.78%
Miscellaneous	1,768	.75%	2,925	1.37%
Unrestricted Investment Earnings	<u>4,539</u>	<u>1.93%</u>	<u>3,882</u>	<u>1.82%</u>
Total Revenue	<u>\$ 235,366</u>	<u>100.00%</u>	<u>\$ 212,834</u>	<u>100.00%</u>

The district's total expenses totaled \$227,577 in FY04 and \$235,716 in FY05. (See Table A-4.) This was a 3.6% increase between the two years. The School's expenses cover a range of services, encompassing instruction and support services. (See Table A-3)

Table A-3
Carthage School District 48-2
Statement of Expenditures
Fiscal Year 2004 and 2005

	2004		2005	
Instruction	\$ 141,059	61.98%	\$ 150,742	63.95%
Support Services	86,518	38.02%	84,800	35.98%
Interest on Long Term Debt	<u>--</u>	<u>--</u>	<u>174</u>	<u>.07%</u>
Total Expenditures	<u>\$ 227,577</u>	<u>100.00%</u>	<u>\$ 235,716</u>	<u>100.00%</u>

**CARTHAGE SCHOOL DISTRICT NO. 48-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENTAL ACTIVITIES:

Table A-4 and the narrative that follows consider the operations of the governmental activities.

**Table A-4
Carthage School District 48-2
Changes in Net Assets**

	Total Governmental Activities		Total Percentage Change
	2004	2005	
Revenues			
Program Revenues			
Charges for Services	\$ -	1,659	100.0%
Operating Grants and Contributions	-	1,707	100.0%
General Revenues			
Taxes	226,322	200,605	-11.4%
Revenue State Sources	2,737	2,056	-24.9%
Other General Revenues	1,768	2,925	65.4%
Unrestricted Investment Earnings	4,539	3,882	-14.5%
Total Revenues	235,366	212,834	-9.6%
Expenses			
Instruction	141,059	150,742	6.9%
Support Services	86,518	84,800	-2.0%
Interest on Long Term Debt	-	174	100.0%
Total Expenses	227,577	235,716	3.6%
Excess (Deficiency) Before Special Items and Transfers	7,789	(22,882)	-393.8%
Increase (Decrease) in Net Assets	\$ 7,789	\$ (22,882)	-393.8%
Ending Net Assets	\$ 379,625	\$ 356,743	-6.0%

CARTHAGE SCHOOL DISTRICT NO. 48-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

In FY05, revenues for the School's governmental activities decreased 9.6% while expenses for governmental activities increased by 3.6%. The most remarkable decrease in revenue is approximately a \$26,000 decrease in tax revenues due in part to a decrease in taxes receivable in FY05 compared to FY04. Other changes in revenues were an increase in other general revenues due in part to an increase in county apportionment and decreases in revenue state sources and investment earnings due to decreases in state aid and interest earned. The slight percentage increase in expenses was a result of instruction expenses due to the normal increase in salaries and wages.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The Special Education Fund had an increase in fund balance for the FY05 year by \$27,638. The General and Capital Outlay Funds had decreases of \$23,676 and \$14,377 respectively. The reason for the increase in Special Education Fund is primarily due to the Special Education Fund bringing in a tax levy of approximately \$40,000 but only having special education expenditures of approximately \$13,000. The primary reason for the decrease in the General and Capital Outlay Funds was due to the fact that the school's revenues collected do not cover the expenditures. The school does not receive state aid in the General Fund and does not have a tax levy for the Capital Outlay Fund. The school's fund balances in these two funds have been steadily decreasing over the past four years and the school is scheduled to close in FY09.

The Special Education Fund had an increase in fund balance for the FY04 year by \$27,855. General and Capital Outlay Funds had a decrease of \$43,142 and \$147 respectively.

BUDGETARY HIGHLIGHT

Over the course of the year, the School Board revised the School budget. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Budget increases in FY04 were due to the increase in transportation in the General Fund. There were no budget increases in FY05.

CAPITAL ASSET ADMINISTRATION

By the end of 2005, the district had invested \$26,432 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) There is a 4.63% increase in net capital assets for the governmental activities due to the school purchasing computers in FY05.

CARTHAGE SCHOOL DISTRICT NO. 48-2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-5
CARTHAGE DISTRICT - Capital Assets
(net of depreciation)

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2004	2005	2004-2005	2004-2005
Land	\$ 3	\$ 3	\$ -	0.00%
Buildings	2,612	1,574	\$ (1,038)	-39.74%
Improvements Other Than Buildings	22,647	21,225	\$ (1,422)	-6.28%
Machinery and Equipment	-	3,630	\$ 3,630	100.00%
Total Capital Assets (Net)	\$ 25,262	\$ 26,432	\$ 1,170	4.63%

This year's major capital asset purchases for FY05 were computers.

LONG-TERM DEBT

At year-end the School had \$3,688 in long-term obligations. See Table A-6 below.

Table A-6
CARTHAGE SCHOOL DISTRICT - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2004	2005	2004-2005	2004-2005
Capital Purchase Payable	-	3,688	3,688	100.00%
Total Outstanding Debt and Obligations	\$ -	\$ 3,688	3,688	100.00%

In FY05, the school entered into a capital lease/purchase agreement to buy computers on a three-year installment plan.

**CARTHAGE SCHOOL DISTRICT NO. 48-2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown little change. The School can generate funding by one main source, property taxes. Total property valuation does increase slightly each year to generate additional local revenue. The School did experience an increase in total property valuation of approximately \$4.2 million or 12% from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

The school's enrollment for the last two years has been as follows:

**Table A-7, Carthage School District ADM
For the Last Two Years**

<u>YEAR</u>	<u>ADM</u>	<u>Percent Increase in ADM</u>
2005	9	0.0%
2004	9	125.0%

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Carthage School's Business Office, PO Box 2125, Carthage SD 57349-2125.

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF NET ASSETS
JUNE 30, 2005

PRIMARY GOVERNMENT
GOVERNMENTAL
ACTIVITIES

ASSETS:	
Cash and Cash Equivalents	\$ 256,962
Taxes Receivable	87,566
Capital Assets:	
Land	3
Other Capital Assets, Net of Depreciation	26,429
	<hr/>
	\$ 370,960
TOTAL ASSETS	<hr/> <hr/>
LIABILITIES:	
Other Current Liabilities	\$ 10,529
Noncurrent Liabilities:	
Due Within One Year	1,815
Due in More than One Year	1,873
	<hr/>
	14,217
TOTAL LIABILITIES	<hr/>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	22,744
Restricted for:	
Capital Outlay	48,656
Special Education	97,582
Unrestricted	187,761
	<hr/>
	356,743
TOTAL NET ASSETS	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<hr/> <hr/>
	\$ 370,960

The accompanying notes are an integral part of these financial statements.

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS / PROGRAMS	PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES
Primary Government:		
Governmental Activities:		
Instruction	\$ 150,742	\$ -
Support Services	84,800	1,659
Interest on Long Term Debt	174	-
	<hr/>	<hr/>
Total Governmental Activities	235,716	1,659
	<hr/>	<hr/>
Total Primary Government	\$ 235,716	\$ 1,659
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PROGRAM REVENUES		MAYOR GOVERNMENT	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
\$ -	\$ -	\$	(150,742)
1,707	-		(81,434)
-	-		(174)
1,707	-		(232,350)
\$ 1,707	\$ -	\$	(232,350)

GENERAL REVENUES:

Taxes:		
Property Taxes	\$	189,967
Gross Receipts Taxes		10,638
Revenue from State Sources:		
State Aid		2,056
Unrestricted Investment Earnings		3,882
Other General Revenues		2,925
Total General Revenues		209,468
Change in Net Assets		(22,882)
Net Assets-Beginning		379,625
Net Assets-Ending	\$	356,743

CARTHAGE SCHOOL DISTRICT NO. 48-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL FUND	CAPITAL OUTLAY FUND
ASSETS:		
Cash and Cash Equivalents	\$ 110,724	\$ 48,656
Taxes Receivable--Current	73,420	-
Taxes Receivable--Delinquent	2,400	28
	<u>\$ 186,544</u>	<u>\$ 48,684</u>
TOTAL ASSETS		
LIABILITIES AND FUND BALANCES:		
Liabilities:	9,264	-
Contracts Payable		
Payroll Deductions and Withholding and	1,265	-
Employer Matching Payable	75,820	28
Deferred Revenue		
	<u>86,349</u>	<u>28</u>
Total Liabilities		
Fund Balances:		
Unreserved Fund Balances:	100,195	38,000
Designated for Cash Flow	-	10,656
Undesignated		
	<u>100,195</u>	<u>48,656</u>
Total Fund Balances		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186,544</u>	<u>\$ 48,684</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	97,582	\$	256,962
	11,509		84,929
	209		2,637
<hr/>		<hr/>	
\$	109,300	\$	344,528
<hr/>		<hr/>	

	-		9,264
	-		1,265
	11,718		87,566
<hr/>		<hr/>	
	11,718		98,095
<hr/>		<hr/>	

	15,560		153,755
	82,022		92,678
<hr/>		<hr/>	
	97,582		246,433
<hr/>		<hr/>	
\$	109,300	\$	344,528
<hr/>		<hr/>	

CARTHAGE SCHOOL DISTRICT NO. 48-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances - Governmental Funds			\$ 246,433
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	148,145 <u>(121,713)</u>	26,432
Long-term liabilities, including capital lease payable are not due and payable in the current period and therefore are not reported in the funds.	Capital Lease Net	<u>(3,688)</u>	(3,688)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	General Fund receivable General Fund delinquent Net	73,420 <u>2,400</u>	75,820
	Capital Outlay Fund receivable Capital Outlay Fund delinquent Net	- <u>28</u>	28
	Special Education fund receivable Special Education fund delinquent Net	11,509 <u>209</u>	11,718
Net Assets-Governmental Funds			<u>\$ 356,743</u>

The accompanying notes are an integral part of these financial statements.

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 157,008	\$ -
Prior Years' Ad Valorem Taxes	2,109	32
Tax Deed Revenue	66	-
Gross Receipts Taxes	10,638	-
Penalties and Interest on Taxes	552	11
	1,669	738
Earnings on Investments and Deposits		
Food Service	1,659	-
Other Sales		
Other Revenue from Local Sources:	150	-
Rentals	120	-
Refund of Prior Years Expenditures	62	8
Other		
Revenue from Intermediate Sources:		
County Sources:	1,147	-
County Apportionment	129	-
Other Intermediate		
Revenue from State Sources:		
Grants-in-Aid:	2,056	-
Unrestricted Grants-in-Aid	1,309	-
Other State Revenue		
Revenue from Federal Sources:	1,707	-
Other Federal Revenue		
	\$ 180,381	\$ 789
Total Revenue		

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	39,710	\$	196,718
	307		2,448
	-		66
			10,638
	121		684
	1,475		3,882
	-		1,659
	-		150
	-		120
	-		70
	-		1,147
	-		129
	-		2,056
	-		1,309
	-		1,707
\$	41,613	\$	222,783

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:	\$ 67,730	\$ -
Elementary		
Special Programs:		
Programs for Special Education	67,053	-
Other Special Programs		
Support Services:		
Support Services - Pupils:	70	-
Health		
Support Services - General Administration:	10,103	-
Board of Education	6,583	-
Executive Administration		
Support Services - Business:	16,718	-
Fiscal Services	-	7,502
Facilities Acquisition & Construction	18,664	4,994
Operation and Maintenance of Plant	14,211	-
Pupil Transportation	5,138	-
Food Services		
Support Service - Special Education	-	-
Administration Costs	-	1,932
Debt Services	-	5,446
Capital Outlay	206,270	19,874
Total Expenditures	(25,889)	(19,085)
Excess of Revenue Over (Under) Expenditures		
Other Financing Sources (Uses):	2,213	-
Transfer In	-	(738)
Transfers Out	-	5,446
General Long-Term Debt Issued	2,213	4,708
Total Other Financing Sources (Uses)	(23,676)	(14,377)
Net Change in Fund Balances	123,871	63,033
Fund Balance - Beginning		
	\$ 100,195	\$ 48,656
Fund Balance - Ending		

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	-	\$	67,730
	12,126		12,126
	-		67,053
	-		70
	-		10,103
	-		6,583
	-		16,718
	-		7,502
	-		23,658
	-		14,211
	-		5,138
	374		374
	-		1,932
	-		5,446
	12,500		238,644
	29,113		(15,861)
	-		2,213
	(1,475)		(2,213)
	-		5,446
	(1,475)		5,446
	27,638		(10,415)
	69,944		256,848
\$	97,582	\$	246,433

CARTHAGE SCHOOL DISTRICT NO. 48-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds \$ (10,415)

Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.	Capital Outlays Depreciation Expense Net	5,446 <u>(4,276)</u>	1,170
Payment on principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	Capital Lease	<u>1,758</u>	1,758
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	Other General Long-Term Debt	<u>(5,446)</u>	(5,446)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. The amount reported is the change in deferred tax revenues from last year.	Taxes Receivable - Current Taxes Collected: July - December, 2004	84,929 <u>(94,878)</u>	<u>(9,949)</u>
Change in net assets of governmental activities			<u>\$ (22,882)</u>

The accompanying notes are an integral part of these financial statements.

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR	SERVICES
Primary Government:			
Governmental Activities:			
Instruction	\$ 141,059	\$	-
Support Services	86,518		-
	<u>227,577</u>		-
Total Governmental Activities			
	<u>\$ 227,577</u>	\$	-
Total Primary Government			

The accompanying notes are an integral part of these financial statements.

PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
PRIMARY GOVERNMENT			
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
\$ -	\$ -	\$ -	(141,059)
-	-	-	(86,518)
-	-	-	(227,577)
\$ -	\$ -	\$ -	(227,577)

GENERAL REVENUES:

Taxes:		
Property Taxes	\$	216,544
Gross Receipts Taxes		9,778
Revenue from State Sources:		
State Aid		2,737
Unrestricted Investment Earnings		4,539
Other General Revenues		1,768
Total General Revenues		235,366
Change in Net Assets		7,789
Net Assets-Beginning		371,836
Net Assets-Ending	\$	379,625

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 153,868	\$ -
Prior Years' Ad Valorem Taxes	2,144	49
Gross Receipts Taxes	9,778	-
Penalties and Interest on Taxes	739	17
Earnings on Investments and Deposits	2,315	1,089
Other Revenue from Local Sources:		
Rentals	150	-
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	1,108	-
Other	87	-
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	2,737	-
Other State Revenue	423	-
Total Revenue	<u>\$ 173,349</u>	<u>\$ 1,155</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	31,674	\$	185,542
	67		2,260
	-		9,778
	26		782
	1,135		4,539
	-		150
	-		1,108
	-		87
	-		2,737
	-		423
\$	32,902	\$	207,406

CARTHAGE SCHOOL DISTRICT NO. 48-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:	\$ 75,259	\$ -
Elementary		
Special Programs:	-	-
Programs for Special Education	57,749	-
Other Special Programs		
Support Services:		
Support Services - Pupils:	90	-
Health		
Support Services - General Administration:	13,441	-
Board of Education	7,159	-
Executive Administration		
Support Services - Business:	25,332	-
Fiscal Services	-	105
Facilities Acquisition and Construction Services	18,429	108
Operation and Maintenance of Plant	20,826	-
Pupil Transportation	430	-
Food Services		
Total Expenditures	218,715	213
Excess of Revenue Over (Under) Expenditures	(45,366)	942
Other Financing Sources (Uses):	2,224	-
Transfer In	-	(1,089)
Transfers Out		
Total Other Financing Sources (Uses)	2,224	(1,089)
Net Change in Fund Balances	(43,142)	(147)
Fund Balance - Beginning	167,013	63,180
Fund Balance - Ending	\$ 123,871	\$ 63,033

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		TOTAL GOVERNMENTAL FUNDS	
\$	-	\$	75,259
	3,912		3,912
	-		57,749
	-		90
	-		13,441
	-		7,159
	-		25,332
	-		105
	-		18,537
	-		20,826
	-		430
	3,912		222,840
	28,990		(15,434)
	-		2,224
	(1,135)		(2,224)
	(1,135)		-
	27,855		(15,434)
	42,089		272,282
\$	69,944	\$	256,848

CARTHAGE SCHOOL DISTRICT NO.48-2
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds \$ (15,434)

Amounts reported for governmental activities in the
 statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital Outlays	-	
Depreciation Expense	<u>(4,737)</u>	
Net		(4,737)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. The amount reported is the change in deferred tax revenues from last year.

Taxes Receivable - Current	95,561	
Taxes Collected:		
July - December, 2003	<u>(67,601)</u>	
		<u>27,960</u>

Change in net assets of governmental activities

\$ 7,789

The accompanying notes are an integral part of these financial statements.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of Carthage School District No. 48-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to government entities in the United States of America.

b. Basis of Presentation:

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The school did not have any business activities in fiscal years 2004 and 2005.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets).

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Net assets are displayed in three components, as applicable, invested in capital assets, net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into one major categories which is governmental. During the two-year audit period ending June 30, 2005, the school did not have proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund: A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund: A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance that reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

Measurement Focus:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements: In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds.

Basis of Accounting:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Carthage School District 48-2, the length of that cycle is sixty days.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements: In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities columns.

Fund Financial Statements: Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "due from" asset accounts) are considered "available spendable resources."

e. Inventory:

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased (consumed). Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2005.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2005 balance of capital assets for governmental activities are all valued at original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	--	--
Land Improvements	\$ 5,000	Straight-line	15-25 years
Buildings	\$ 5,000	Straight-line	10-50 years
Machinery & Equipment	\$ 5,000	Straight-line	3-10 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of a capital lease/purchase contract.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment of principal and interest are reported as expenditures when they become due.

h. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

i. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by the employees at the rate of two days per year. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten days per year. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

j. Deferred Revenue:

Under the modified accrual basis of accounting, receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

k. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes.

l. Equity Classifications:

Government-Wide Financial Statements: Equity is classified as net assets and is displayed in three components:

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

1. Equity Classifications: (cont'd)

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements: Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components.

m. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

n. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-loan fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost plus interest, if the account is of the add-on type.

Interest Rate Risk - The School District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund for all governmental funds.

The United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be recorded in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated.

3. PROPERTY TAX:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

4. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the two fiscal years ending June 30, 2005 is as follows:

Primary Government:

	Balance 7/01/03	Increases	Decreases	Balance 6/30/05
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ --	\$ 3	\$ --	\$ 3
Capital assets, being depreciated:				
Buildings	--	84,325	--	84,325
Improvements other than Buildings	--	26,226	--	26,226
Machinery and Equipment	--	37,591	--	37,591
Totals	--	<u>148,142</u>	--	<u>148,142</u>
Less accumulated depreciation for:				
Buildings	--	82,751	--	82,751
Improvements other than buildings	--	5,001	--	5,001
Machinery and Equipment	--	33,961	--	33,961
Total accumulated Depreciation	--	<u>121,713</u>	--	<u>121,713</u>
Governmental activity capital assets, net	\$ --	\$ <u>26,429</u>	\$ --	\$ <u>26,429</u>

FY04 was the first year of GASB 34 reporting. During FY05, the school purchased computers for the school.

Depreciation expense for FY04
and FY05 combined was charged
to functions as follows:

Governmental activities:

Instruction

Support Services

Total depreciation expense-governmental activities

\$ 7,972
<u>1,041</u>
<u>\$ 9,013</u>

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

5. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	Balance 7/01/03	Increases	Decreases	Balance 6/30/05	Amount Due Within One Year
Governmental Activities:					
Capital Lease Payable	\$ --	\$ 5,446	\$ 1,758	\$ 3,688	\$ 1,815

Debt Payable at June 30, 2005 is comprised of the following:

Capital Lease Payable:

The Carthage School District No. 48-2 entered into a lease-purchase agreement to buy computers on an installment plan on 10/4/04. The capital lease agreement is payable October 4, 2004 through October 31, 2006 with an imputed interest rate of 3.19%. The Capital Outlay Fund makes payment on this debt.

\$ 3,688

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 5,446
Interest	<u>351</u>
TOTAL	<u>\$ 5,797</u>

The annual requirements to amortize the capital lease agreement outstanding at June 30, 2005, are as follows:

	Capital Lease Agreement		Total
	Principal	Interest	
2006	1,815	117	1,932
2007	1,873	60	1,933
	<u>\$ 3,688</u>	<u>\$ 177</u>	<u>\$ 3,865</u>

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

6. INTERFUND ACTIVITY:

Transfers to/from other funds at June 30, 2004, consist of the following:

Transfers from the other governmental funds to the General Fund
\$ 2,224 for income earned on deposits.

Transfers to/from other funds at June 30, 2005, consist of the following:

Transfers from the other governmental funds to the General Fund
\$ 2,213 for income earned on deposits.

7. RESTRICTED NET ASSETS:

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 48,656
Special Education	Law	<u>97,582</u>
		<u>\$ 146,238</u>

8. DESIGNATED FUND BALANCES:

As authorized by SDCL 13-11-2, the school board has determined that a year-end minimum unreserved fund balance of \$153,755 is necessary to protect the school district's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Unreserved Fund Balance Designated for Cash Flow Funding in the affected funds.

9. RETIREMENT PLAN:

All employees, except for non-contracted staff, participate in the South Dakota Retirement System, (SDRS) a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

9. RETIREMENT PLAN: CONT'D

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2005, 2004, and 2003 were \$4,865, \$4,576, and \$3,306 respectively, equal to the required contributions each year.

10. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2005, the School District managed its risks as follows:

Employee Health Insurance

The school district does not offer their employees health insurance coverage.

Liability Insurance

The School District purchases all of the school's liability insurance from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Workmen's Compensation

The School District purchases liability insurance for workmen's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

No claims were paid for unemployment for the year ended June 30, 2004 and June 30, 2005. At June 30, 2005, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2005

		BUDGETED AMOUNTS	
		ORIGINAL	FINAL
Revenues:			
Revenue from Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 142,510	\$ 142,510	
Prior Years' Ad Valorem Taxes	800	800	
Tax Deed Revenue	10	10	
Gross Receipts Taxes	4,000	4,000	
Penalties and Interest on Taxes	500	500	
	12,000	12,000	
Earnings on Investments and Deposits			
Food Service	5,500	5,500	
Other Sales			
Other Revenue from Local Sources:	100	100	
Rentals	10	10	
Donations	10	10	
Sale and Loss of Capital Assets	10	10	
Refund of Prior Year's Expenditures	-	-	
Other			
Revenue from Intermediate Sources:			
County Sources:	1,000	1,000	
County Apportionment	10	10	
Other Intermediate			
Revenue from State Sources:			
Grants-in-Aid:	2,300	2,300	
Unrestricted Grants-in-Aid	500	500	
Other State Revenue			
Revenue from Federal Sources:			
Other Federal Revenue	4,510	4,510	
Total Revenue	173,770	173,770	

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
-------------------------------------	---

\$	157,008	\$	14,498
	2,109		1,309
	66		56
	10,638		6,638
	552		52
	1,669		(10,331)
	1,659		(3,841)
	150		50
	-		(10)
	-		(10)
	120		110
	62		62
	1,147		147
	129		119
	2,056		(244)
	1,309		809
	1,707		(2,803)
	180,381		6,611

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Instruction:		
Regular Programs:	98,300	98,300
Elementary		
Special Programs:	90,000	90,000
Educationally Deprived		
Support Services:		
Pupils:	500	500
Health		
Support Services - Instructional Staff:	2,000	2,000
Educational Media		
Support Services - General Administration:	17,900	17,900
Board of Education	9,100	9,100
Executive Administration		
Support Services - Business:	25,300	25,300
Fiscal Services	27,200	27,200
Operation and Maintenance of Plant	19,700	19,700
Pupil Transportation	11,500	11,500
Food Services	5,000	5,000
Contingencies		
Amount Transferred (Enter as Negative)	306,500	306,500
Total Expenditures	(132,730)	(132,730)
Excess of Revenue Over (Under) Expenditures		
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	(132,730)	(132,730)
Net Change in Fund Balances	123,871	123,871
Fund Balance - Beginning	\$ (8,859)	\$ (8,859)
Fund Balance - Ending		

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
67,730	30,570
67,053	22,947
70	430
-	2,000
10,103	7,797
6,583	2,517
16,718	8,582
18,664	8,536
14,211	5,489
5,138	6,362
-	5,000
206,270	100,230
(25,889)	106,841
2,213	2,213
2,213	2,213
(23,676)	109,054
123,871	-
\$ 100,195	\$ 109,054

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL OUTLAY FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:	\$ 10	\$ 10
Ad Valorem Taxes	50	50
Prior Years' Ad Valorem Taxes	50	50
Penalties and Interest on Taxes	-	-
Earnings on Investments and Deposits		
Other Revenue from Local Sources:	10	10
Other	10	10
Revenue from State Sources:		
Other State	130	130
Total Revenue		
Expenditures:		
Support Services - Business:	20,000	20,000
Facilities Acquisition & Construction	15,130	15,130
Operation and Maintenance of Plant	3,000	3,000
Pupil Transportation	-	-
Debt Services	-	-
Capital Outlay		
	38,130	38,130
Total Expenditures	(38,000)	(38,000)
Excess of Revenue Over (Under) Expenditures		
Other Financing Sources (Uses):		
Transfer Out	-	-
General Long-Term Debt Issued	-	-
Total Other Financing Sources (Uses)	(38,000)	(38,000)
Net Change in Fund Balances	63,033	63,033
Fund Balance - Beginning	\$ 25,033	\$ 25,033
Fund Balance - Ending		

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
-------------------------------------	--

\$	-	\$	(10)
	32		(18)
	11		(39)
	738		738
	8		(2)
	-		(10)
	789		659
	7,502		12,498
	4,994		10,136
	-		3,000
	1,932		(1,932)
	5,446		(5,446)
	19,874		18,256
	(19,085)		18,915
	(738)		(738)
	5,446		5,446
	4,708		4,708
	(14,377)		23,623
	63,033		-
\$	48,656	\$	23,623

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL EDUCATION FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:	\$ 25,010	\$ 25,010
Ad Valorem Taxes	100	100
Prior Years' Ad Valorem Taxes	100	100
Penalties and Interest on Taxes	-	-
Earnings on Investments and Deposits		
Revenue from State Sources:		
Grants-in-Aid:	10	10
Restricted Grants-in-Aid	10	10
Other State Revenue		
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from	500	500
Federal Government Through the State	10	10
Other Federal Revenue		
	<u>25,740</u>	<u>25,740</u>
Total Revenue		
Expenditures:		
Instruction:		
Special Programs:	31,600	31,600
Programs for Special Education		
Support Services:		
Pupils:	1,000	1,000
Psychological	2,500	2,500
Speech Pathology	800	800
Student Therapy Services		
Special Education:		
Transportation Costs	-	-
Other Special Education Costs	5,400	5,400
	<u>41,300</u>	<u>41,300</u>
Total Expenditures	<u>(15,560)</u>	<u>(15,560)</u>
Excess of Revenue Over (Under) Expenditures		
Other Financing Sources (Uses):		
Transfer Out	-	-
	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(15,560)</u>	<u>(15,560)</u>
Net Change in Fund Balances	69,944	69,944
Fund Balance - Beginning	\$ 54,384	\$ 54,384
Fund Balance - Ending		

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
-------------------------------------	--

\$	39,710	\$	14,700
	307		207
	121		21
	1,475		1,475
	-		(10)
	-		(10)
	-		(500)
	-		(10)
	41,613		15,873
	12,126		19,474
	-		1,000
	-		2,500
	-		800
	374		(374)
	-		5,400
	12,500		28,800
	29,113		44,673
	(1,475)		(1,475)
	(1,475)		(1,475)
	27,638		43,198
	69,944		-
\$	97,582	\$	43,198

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2004

		BUDGETED AMOUNTS	
		ORIGINAL	FINAL
Revenues:			
Revenue from Local Sources:			
Taxes:			
	\$	142,510	\$ 142,510
Ad Valorem Taxes		800	800
Prior Years' Ad Valorem Taxes		10	10
Tax Deed Revenue		4,000	4,000
Gross Receipts Taxes		500	500
Penalties and Interest on Taxes			
		12,000	12,000
Earnings on Investments and Deposits			
Other Revenue from Local Sources:			
Rentals		100	100
Donations		10	10
Sale of Assets		10	10
Refunds			
Revenue from Intermediate Sources:			
County Sources:			
County Apportionment		1,000	1,000
Other		10	10
Revenue from State Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid		2,300	2,300
Other State Revenue		500	500
Revenue from Federal Sources:			
Grants-in-Aid:			
Other Federal Revenue		10	10
Total Revenue		163,770	163,770

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
-------------------------------------	---

\$	153,868	\$	11,358
	2,144		1,344
	-		(10)
	9,778		5,778
	739		239
	2,315		(9,685)
	150		50
	-		(10)
	-		(10)
	-		(10)
	1,108		108
	87		77
	2,737		437
	423		(77)
	-		(10)
	173,349		9,579

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Instruction:		
Regular Programs:	93,300	93,300
Elementary		
Special Programs:	90,000	90,000
Educationally Deprived		
Support Services:		
Pupils:	500	500
Health		
Support Services - Instructional Staff:	2,000	2,000
Educational Media		
Support Services - General Administration:	17,900	17,900
Board of Education	9,100	9,100
Executive Administration		
Support Services - Business:	31,300	31,300
Fiscal Services	27,200	27,200
Operation and Maintenance of Plant	19,200	27,273
Pupil Transportation	1,500	1,500
Food Services	5,000	5,000
Contingencies	-	(5,000)
Amount Transferred (Enter as Negative)		
Total Expenditures	297,000	300,073
Excess of Revenue Over (Under) Expenditures	(133,230)	(136,303)
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	(133,230)	(136,303)
Fund Balance - Beginning	167,013	167,013
Fund Balance - Ending	\$ 33,783	\$ 30,710

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
-------------------------------------	---

75,259	18,041
57,749	32,251
90	410
-	2,000
13,441	4,459
7,159	1,941
25,332	5,968
18,429	8,771
20,826	6,447
430	1,070
-	5,000
-	(5,000)
218,715	81,358
(45,366)	90,937
\$ 2,224	\$ 2,224
2,224	2,224
(43,142)	93,161
167,013	-
\$ 123,871	\$ 93,161

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL OUTLAY FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:	\$ 10	\$ 10
Ad Valorem Taxes	50	50
Prior Years' Ad Valorem Taxes	50	50
Penalties and Interest on Taxes	-	-
Earnings on Investments and Deposits		
Other Revenue from Local Sources:	10	10
Other		
Revenue from State Sources:	10	10
Other State Revenue		
Total Revenue	130	130
Expenditures:		
Support Services - Business:	20,000	20,000
Facilities Acquisition and Construction Services	15,130	15,130
Operation and Maintenance of Plant	3,000	3,000
Pupil Transportation		
Total Expenditures	38,130	38,130
Excess of Revenue Over (Under) Expenditures	(38,000)	(38,000)
Other Financing Sources (Uses):		
Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	(38,000)	(38,000)
Fund Balance - Beginning	63,180	63,180
Fund Balance - Ending	\$ 25,180	\$ 25,180

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
\$	-	\$ (10)
	49	(1)
	17	(33)
	1,089	1,089
	-	(10)
	-	(10)
	1,155	1,025
	105	19,895
	108	15,022
	-	3,000
	213	37,917
	942	38,942
	(1,089)	(1,089)
	(1,089)	(1,089)
	(147)	37,853
	63,180	-
\$	63,033	\$ 37,853

REQUIRED SUPPLEMENTARY INFORMATION
 CARTHAGE SCHOOL DISTRICT NO. 48-2
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL EDUCATION FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 25,010	\$ 25,010
Prior Years' Ad Valorem Taxes	100	100
Penalties and Interest on Taxes	100	100
	-	-
Earnings on Investments and Deposits		
Revenue from State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	10	10
Other State	10	10
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from		
Federal Government Through the State	500	500
Other Federal Revenue	10	10
	25,740	25,740
Total Revenue		
Expenditures:		
Instruction:		
Special Programs:		
Programs for Special Education	31,600	31,600
Support Services:		
Pupils:		
Psychological	1,000	1,000
Speech Pathology	2,500	2,500
Student Therapy Services	800	800
	5,400	5,400
Special Education:		
Other Special Education Costs	41,300	41,300
Total Expenditures	(15,560)	(15,560)
Excess of Revenue Over (Under) Expenditures		
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	-	-
	(15,560)	(15,560)
Net Change in Fund Balances	42,089	42,089
Fund Balance - Beginning		
Fund Balance - Ending	\$ 26,529	\$ 26,529

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
-------------------------------------	--

\$	31,674	\$	6,664
	67		(33)
	26		(74)
	1,135		1,135
	-		(10)
	-		(10)
	-		(500)
	-		(10)
	32,902		7,162
	3,912		27,688
	-		1,000
	-		2,500
	-		800
	-		5,400
	3,912		37,388
	28,990		44,550
	(1,135)		(1,135)
	(1,135)		(1,135)
	27,855		43,415
	42,089		-
\$	69,944	\$	43,415

REQUIRED SUPPLEMENTARY INFORMATION

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

2. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (d).
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

CARTHAGE SCHOOL DISTRICT NO. 48-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2005.

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).